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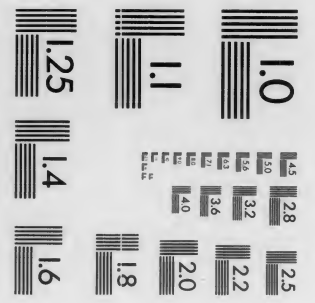
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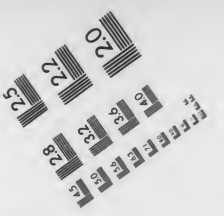
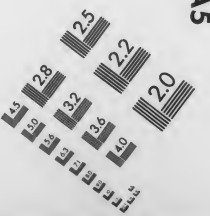


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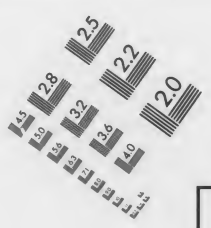


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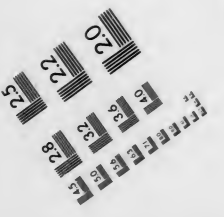
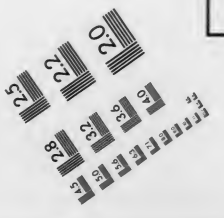
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Chandler, Wm. E.  
The Railroad Rate question

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## THE RAILROAD RATE QUESTION.

BY WM. E. CHANDLER.

Shall the taxes upon the people for passenger and freight transportation be as high as the railroads choose to make them; unlimited in any way by the government?

### **Vast Size of the Railroads of America.**

The figures of this stupendous railroad taxation of the American people are startling. They are every year 2,000 millions of dollars (\$2,000,000,000) for passenger and freight transportation over 210,000 miles of track. The railroads are worth about 8,000 millions of dollars, but are capitalized in bonds and stock amounting to 14,000 millions of dollars upon which the railroad managers are seeking to collect 6 per cent annual income or 840 millions of dollars. These railroad taxes upon the people are \$25 a year upon every man, woman and child in the country, or \$125 a year upon every family of five members.

### **Necessity of Some Supervisory Control of Rates of Fares and Freights.**

The greatest question of all now before the people and the congress of the United States is whether the railroads in raising 2,000 millions of dollars annually shall have no limitations put upon them as to the rates for fares and freights which they may charge in order to collect that sum and to so increase it that the 840 millions may be given to their bond holders and stockholders after paying operating expenses

### **Interstate Commerce Act of 1887 Supposed to Give Power to Commission Till Courts Destroyed It.**

The danger of leaving such a fearful power in the uncontrolled hands of the railroad managers, especially after competition had begun to cease to exist under modern conditions, became so evident prior to the year 1887 that con-

gress passed an act creating an Interstate Commerce commission and authorizing it to hear complaints of oppressive rates and to decide upon the justice thereof. It was for several years supposed that the commission, having found a rate to be unreasonable, could fix a rate to take its place. But after ten years the supreme court decided that such power did not exist, and this decision left the commission powerless to give a remedy for unjust railroad rates. Efforts hitherto made to induce congress to amend the law and give the necessary remedial power to the commission have been defeated by the railroads. President Roosevelt has now taken up the contest for the passage of suitable laws; this has become the all important subject; and the question is shall the president or the railroads be sustained by congress?

### **The Railroads Opposed to Any Control Whatever.**

Many words have been expended upon the subject now being considered; most of all by the railroad advocates. Their general position is that there is no need of any governmental control of rates; that the railroad managers can be safely trusted to fix all rates, and will not make them unreasonably high. But seeing an overwhelming preponderance of opinion that there must be some governmental control exercised, they devote themselves to making the method of such control as petty and ineffective as they possibly can.

### **President Roosevelt's Plan for Control a Good One.**

The president and his supporters say that the simplest and best method is to supply the defect in the original law of 1887 and let the Interstate Commerce

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commission hear a complaint against a given rate and if they find it too high, name and fix a new rate to take its place and put it into immediate operation. The expense of the hearing on this complaint the shipper or other complainant must bear. If he succeeds and the railroads make further contest against the new rate in the courts the government, through its attorney general, must defend it. If the new rate proves to be so unreasonably low as to reach, according to the judicial judgment of the court, to a practical confiscation of the property of the railroad, the court's decision will overule the order of the commission.

A reader or student new to this subject will naturally say to all this: Why not, all this is reasonable, how can any railroad justly object to such a method of protecting the public and the railroads alike? Looking further, however, he will soon see that the railroads do make many objections; and continuing his inquiry, he will ascertain their absurdity or at least their lack of just foundation.

I.

#### **A Court Cannot Possibly Make Rates.**

Assuming that some remedy is to be given for unreasonably high charges, the railroads say it must be given by a court which shall try each case and render a judgment thereon. They are willing to allow the commission to investigate the complaint and express its opinion thereon and pass it over to a court for final action, but they are not willing that the commission shall make any binding decision.

The conclusive answer to this plan for court action is that the courts never will give a remedy against a rate which although it may seem unreasonably high to them, they cannot be sure is so high as to be extortionate in its effect. The reason why the courts will not make a mere decision that a rate seems to them to be unreasonable is because the question is not a judicial one, it is only a common sense question and does not involve any question of law which the courts can take hold of unless the rate is so clearly and grossly extortionate as to

compel it to do so in the exercise of a high judicial function.

This distinction between a legislative or administrative or executive function which can be performed by the Interstate Commerce commission and not by a court, and a judicial function which can be performed by the court and not by a commission, may not seem fundamental to persons not lawyers, but to lawyers it is clear and controlling. A commission using administrative powers will give relief to oppressed shippers; a court with the usual judicial power only will not do it. All lawyers, including the railroad lawyers, know this and that the railroad plan for protecting the people will prove worthless. That is the railroads' desire and purpose.

II.

#### **For the Commission to Fix Remedial Rates Is Not Difficult.**

This main contention of the railroads being unjust, their other objections are feeble.

They say that rate making is so complicated and difficult that a commission cannot make rates. Answer: It is not intended that they shall make original rates. The railroads will continue to do that. But a commission can investigate a single grievance and give a remedy. A physician cannot make a whole man; but he can find out what ails a sick man and supply relief! And if a commission cannot make rates, how can a court make them?

III.

#### **The Wages of Railroad Employees Will Not Be Reduced.**

They say that there is danger that with control by the Interstate Commerce commission there will come such reduced receipts that the wages of railroad employees must be reduced. Answer: There is no doubt that the commission will care quite as much for the wages of the men as the railroad managers will. If, to give the public reasonable protection, rates ought to be reduced, the managers can guard their workmen by better management on

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their own part and by a reduction of their enormous and sometimes atrocious salaries. Are we to have in this country huge aggregations of capital and vast labor unions, fighting each other some of the time and at other times all combining against the consumers? If so, the consumers ought to establish their unions to protect themselves against confederated capitalists and laborers. If competition in all the great products is to continue to disappear, the industrial world will organize itself into capitalists' unions, labor-unions and consumers'-unions, and equality of protection through combination will be secured to all classes of society.

Meantime workmen ought to hesitate before they help their employers to plunder the consumers of joint products of labor and capital.

IV.

#### **Remedying Extortionate Rates Is Not an Unjust Interference With Property Rights.**

They say that to interfere with railroad rates is an invasion of the rights of property, that the railroads are owned by their stockholders and bondholders, who ought to be as free as the owners of all other property to charge all they can get for its use.

Answer: Railroads are not private property, the owners of which are entitled to all the perfect and complete rights of other property owners. They have been allowed to take land against the will of its owners and their lines are therefore public highways. Reasonable governmental regulation of fares and freights to protect the people from extortion is therefore fair and just and right. Competition protects the consumers of ordinary products; and it once protected the patrons of railroads. But now railroad competition is ended. The plains country is gridironed by railroads, and it is folly to build more; in any valley also, more than one railroad is folly. Competition being ended, governmental control is the only possible protection against extortion. If it is not given, governmental ownership will soon follow. The people will never allow rates to be pushed up by

the railroads so they can collect \$840,000,000 of net profits in order to pay 6 per cent on their fourteen thousand millions of capitalization. The railroads of the country being taken over at their value of 8,000 millions, the United States can borrow that amount at 3 per cent or for 240 millions of dollars and save to the railroad patrons 600 millions annually.

V.

#### **The Commission is Not a Prosecutor but a Referee.**

They say that the Interstate Commerce commission ought not to be allowed to be both prosecutor and judge, that is, to investigate the facts and make the decisions.

Answer: The shippers will be the prosecutor and the railroads the defendants; the cases of complaint will be tried like those before referees. There is no danger of harm in such proceedings, especially if the courts are permitted to restrain the commission; and the commission can decide the practical common-sense question whether a rate is on the whole too high; whereas courts cannot do this, but can only say as a matter of law that a given rate is extortionate. Committees of congress and congress itself are both investigators and judges, and yet no harm is done.

#### **Street Railway Rates Are Always Controlled Against the Will of the Owners.**

So the railroad objections go on to the end of the chapter. There is hardly any limit to the railroad arguments devised by able managers and lawyers against any let or hindrance to railroad extortion; but there is not one argument of any weight. There are 23,000 miles in the 987 street railroads of the country, capitalized at 2,300 millions of dollars; and the rates of fares are inexorably fixed by the legislatures, and the companies have nothing whatever to say about the rates. Like control in less arbitrary fashion is going to be taken by the people of their 10,000 miles of steam railroads. In addition to railroad extortions for the pur-

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pose of paying interest on bonds and high dividends, the railroads have overtaxed the people in order to control the political government of the country; and by free passes, mileage books given away, special contracts with newspapers, and direct expenditures of money, they have with the aid of the insurance companies and national banks, seduced the ministers, lawyers, editors, and college professors and corrupted the caucuses, conventions and elections, the legislators and executive officers of the country until the whole people stand aghast at the dishonor and disgrace thus brought upon the republican form of government.

**Radical Legislation Will Come If Remedial Laws Are Delayed.**

If the moderate measures recommended by President Roosevelt are not accepted by the railroads, more radical measures will come at last. There is some evidence at this time that the railroads intend to nominally cease opposition to conferring power upon the Interstate Commerce Commission to make remedial rates and to throw their great strength (1) in the direction of some imitation upon that power which will make it feeble and worthless, and (2) toward obtaining the right to the railroads to make pooling agreements.

**Pooling a Monstrosity.**

There are some remarks in the message of the president which are seized

upon as indicating a willingness on his part to legalize pooling. The movement to persuade him to do this is an attempt to hang a millstone about his neck and cast him into the depths of the sea. It is impossible that congress will by affirmative law abolish all railroad competition, forbid any railroad to lower its rates without the consent of all the railroads, and authorize a single railroad combination with a capital of fourteen billions of dollars. This would create a monstrosity whose lawful existence would provoke a popular revolution.

**The Southern Railway Company's Excessive Capitalization,**

The 210,000 miles of railroad are divided up into systems—the larger systems containing from 5,000 to 10,000 miles. The Southern Railway company has 4,952 miles; capitalized at 350 millions of dollars, or \$70,000 per mile. Its bonds are 170 millions, its stock 180 millions. The stock is water, the road being worth only about \$35,000 per mile or 175 millions. Its gross earnings are 50 millions, its net earnings 17 millions, from which it is only able to spare 2 millions for dividends on its watered stock. Its wonderfully able manager is seeking to make it earn enough to spare 9 millions for dividends and does not mean to allow congress to interfere. What will the people say?

Wm. E. Chandler.

February 5th, 1906.





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